



**ADDIS ABABA UNIVERSITY**  
**COLLEGE OF BUSSINESS AND ECONOMICS**  
**SCHOOL OF COMMERCE**

**Assessment of project procurement Management practices in case of  
Ethiopian airlines**

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**July, 2019**  
**Addis Ababa, Ethiopia**

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**ADDIS ABABA UNIVERSITY**  
**COLLEGE OF BUSSINESS AND ECONOMICS**  
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**Approval Page**

**Assessment of project procurement Management practices in case of  
Ethiopian airlines**

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## Statement of Declaration

I, Yassin Ali Fedlu, hereby declare that this thesis entitled “Assessment of project procurement Management practices in case of Ethiopian Airlines” submitted by me for the award of the degree of Master of Project Management, Addis Ababa University at Addis Ababa, Ethiopia, is my original work and it has never been presented in any university. All sources and materials used for this thesis have been duly acknowledged.

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This master thesis has been submitted for examination with my approval as thesis.

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## **Acronyms**

<b>BIM</b>	<b>Building Information Model</b>
<b>ET/Ethiopian</b>	<b>Ethiopian Airlines</b>
<b>ETH-MRO</b>	<b>Ethiopian Maintenance and Repair Overhaul</b>
<b>IFB</b>	<b>Invitation for Bid</b>
<b>ITN</b>	<b>Invitation for Negotiation</b>
<b>MSA</b>	<b>Material Service Agreement</b>
<b>PMBOK</b>	<b>Project Management Book of Knowledge</b>
<b>PMI</b>	<b>Project Management Institute</b>
<b>RFI</b>	<b>Request for Information</b>
<b>RFP</b>	<b>Request for Proposal</b>
<b>RFQ</b>	<b>Request for Quotation</b>
<b>SOW</b>	<b>Statement of Work</b>
<b>SPSS</b>	<b>Statistical Package for Social Sciences</b>

### ***Abstract***

*The purpose of this study is to assess the project procurement practices in case of Ethiopian Airlines with alignment of project procurement management knowledge area. To address this objective descriptive research design was employed to analyze the data from structured questionnaire and interview. A Non-probability, judgment/purposive sampling, was employed to select 30 respondents of the questionnaires. And interview was also conducted with the procurement office manager and project manager. The result of the study evident that, Risk Involved with procurement, Cost Estimation, considering Expert Judgment while planning, and Market research and development has been found as a major gap of procurement practices. On the other hand, the loop with regard to procurement conducting is depicted from the respondents that it is merely practiced to select sellers based on their past experience and no consistent pre-meeting with suppliers. Lastly on monitoring phase, few attentions are given to monitor and control whether procured goods and services are delivered in time in regular pattern, the risks faced while procuring rarely taken in to consideration while monitoring and controlling. Based on the findings, the researcher recommended that intensive regular training on the principles of project management, give due attention on expert judgment, cost estimation, market research & development as well as considering past experience of sellers. Monitoring and controlling should be made for procured goods, to ensure that they are delivered or executed as planned.*

**Key words:** *Procurement, Project Procurement Management, Procurement Planning, Procurement Conducting, Procurement Control and Closing*



## **Chapter One**

### **1. Introduction**

#### **1.1. Back Ground of the study**

The PMBOK defined project as “a temporary Endeavour undertaken to create a unique product, service or result’ (PMI, 2004: 5). Project management is said to be the application of knowledge, skills, tools and techniques to project activities to meet project requirements. Four main processes are listed: identifying requirements; establishing clear and achievable objectives; balancing competing demands for quality, scope, time and cost; and adapting the specifications, plans and approach to the different concerns and expectations of various stakeholders (PMI, 2004: 8).

The project aim is to deliver beneficial change. Features include uniqueness, novelty and transience. Pressures typically encountered are in managing to cope with uncertainty, integration and transience. Processes need to be flexible, goal oriented and staged.

Project Procurement management is one of the main PMBOK part which is the creation of relationships with outside vendors and suppliers for goods and services needed to complete a project. This process is comprised of five stages including: initiating and planning, selecting, contract writing, monitoring, and closing and completing. This indicates that establishing consistent procurement policies and procedures enables business organizations to align its buying strategies to its long term goals and objectives.

Van Weele and Rozemeijer(1996, p.22), defined procurement as including “all activities required in order to obtain the product from the supplier and get it to the place where it is actually used. It encompasses the purchasing function, store, traffic and transportation, incoming inspection, and quality control and assurance. Some firms also include salvage and management of environmental issues (as they are related to materials) in procurement.” According to PMBOK (2013), the Project Procurement Management processes include planning procurement, conducting procurements, controlling and closing Procurements. Thus, a project procurement management practice needs to consider these points in order to be effective and efficient. A good

procurement planning before undertaking a procurement process is a key contributor to project success (Deme A, 2009).

Ethiopian started operation with the first 5 C-47 aircraft, scraps of 2nd World War, back in 1946 during its debut flight to Cairo via Asmara. Ever since, Ethiopian has been growing in leaps and bounds and has kept on introducing new aviation technology and systems, with so many firsts in the history of African aviation as an aircraft technology leader; providing the first jet service in the continent, availing the first African B767, the first African B777-200LR in 2010 and the first African and second only to Japan B787 Dream liner in 2012. In a continuation of that tradition, Ethiopian was the first in Africa to acquire Airbus A350 XWB, introducing the extra effect to the African continent. Leading the way once again, Ethiopian was the first African Airline to operate the latest Boeing 787-9 in 2017. Below the industry average, Ethiopian currently operates more than 112 of the young and most modern fleet, with less than five years of age, and has 59 fleet on order (Ethiopian fact sheet, 2019).

Ethiopian is currently implementing a 15-year strategic plan called Vision 2025 that will see it become the leading airline group in Africa with seven strategic business units. Ethiopian joined Star Alliance, the world's largest Airline network, in December 2011. Ethiopian is a multi-award winning airline including: SKYTRAX Best Airline Staff Service in 2013 & 2016, 'Best African Airline' in 2017, and Four Star Airline Certification in 2017. Ethiopian has been registering an average growth of 25% per annum for the past seven years (Ethiopian fact sheet, 2019).

The Purchasing Division is delegated for the procurement of goods and services of the Company. According to the procurement policy, except for the purchase of Fuel and Aircrafts, the approach of Ethiopian is to centralize all other purchasing activities in order to enjoy the typical benefits of a centralized system as compared to decentralized system. Aircraft and Fuel are purchased by E.O Corporate planning and the Insurance section of E.O Finance respectively. and about 90% of the purchase is from international sources. The major reason for this is to maintain international standards required by regulatory bodies as well as by market forces or competitions. Within the Materials Management Division, the overall purchasing activity is organized on the basis of functional breakdown and specialization. There are four departments entrusted with the task of Purchasing. mechanical and Engine purchase department, general Purchasing Department,

avionics and Interior Purchase Department and purchasing Support Services Department (Bethlehem S, 2015).

## **1.2. Statement of the Problem**

The procurement function has not been given the recognition it deserves in developing countries, in most public entities, regardless of the effort by the partners like the World Bank, the International Trade Organization, the United Nations Conference on Trade and Development, the World Trade Organization and, others. This could be deliberate or sheer ignorance on the value the procurement function could contribute to any organization (Telgenet *al.*, 1997). While functions like human Resource (HR) and Finance can have their performance measured, this is not the case with the procurement function. The failure to establish performance of the procurement function has led to irregular and biased decisions that have costly consequences to every entity.

Ethiopian Airlines (Ethiopian) (ET) is also with over sixty years of existence (Iches et.al 2005). It has several ongoing and closed huge and small projects that are involving prolonged procurement process on capacity development, system enhancement and customer relation management projects. Even though there is a company-wide procurement policy, there are significant inefficiencies on its applicability and procurement practices. Among all others, Enhancing components capability development is the major activity for component maintenance section and in large for ETH-MRO. Previous project execution history clearly revealed existence of significant inefficiency on Capability development project implementation process. Occurrence of unexpected activities during project implementation, taking long time to procure BID entertained equipment: for tools and equipment and/or services that worth more than 2-million ETB, Company policy instruct to follow BID process. Stringent (inflexible) BID processes, Delay on tools and equipment procurement, and facility preparation (ET-MRO, Project status report, 2017). According to this report, Fuel components capability development process took more than 7 months to procure test equipments 3 months behind the schedule. Construction of water and waste components shop, bottles overhaul shop, and brake shop project

has also progressed 75% and 98% against the plan the main hold up and constraint stated on the report is slow bid process (CMP progress report, 2018).

Therefore, this study aims to assess the procurement practices of Ethiopian Airlines projects to examine with alignment of project procurement management knowledge area and to recommend possible improvement opportunities. These results will lend ideas for future research on such topics as well as ideas to better the procurement practices of the company.

### **1.3. Research Questions**

- What Ethiopian airlines project procurement management processes look like?
- How ET practices project procurement planning?
- What are the common practices to conduct project procurement in ET?
- What are the practices of monitoring and controlling of project procurement in ET

### **1.4. Objective of the Study**

#### **1.4.1. General Objective**

The general objective of this study is to assess the project procurement practices on Ethiopian Airlines.

#### **1.4.2. Specific Objectives**

The Specific Objectives are: -

- To describe the project procurement planning practices in ET
- To assess the practices of ET in conducting project procurement.
- To assess the practices on how project procurements are being monitored and controlled in ET projects.

### **1.5. Significance of the Study**

At the end this paper will provides the following benefits for The Organization – allow being aware of the strength and weakness of existing project procurement practices to take as input for future improvement plan. And for researchers – It helps researcher to obtain experience in dealing with procurement practices. It also helps future researchers as a reference to do a research on the same subject or company.

## **1.6.Scope of the Study**

The fundamental delimitation and scope of the study was on assessing project procurement management practices particularly in Ethiopian airlines capacity development projects. The scope is limited to current project activities operated and owned by ET at Ethiopian airlines premises located at Addis Ababa Ethiopia. Descriptive method of data analysis is employed. The researcher selected Ethiopian airlines as it usually engages huge internal capacity and system enhancement projects that entail repetitive and subsequent procurement practices.

## **1.7. Operational Definition**

**Procurement:** stands for the process of obtaining or buying goods and services. It includes preparation and processing of a demand as well as the end receipt and approval of payment.

**Project Procurement Management:** encompasses the processes used for making sure project procurement is successful. It includes the processes necessary to get things and services needed for the project to run smoothly and achieve its objectives.

**Procurement Planning:** referred the process when Planning of project procurements is carried out. It involves creating procurement documents which describes these details.

**Procurement Conducting:**In this process responses from various sellers are collected, an efficient seller is selected among them and finally, a contract is curated.

**Procurement Control and Closing:** is to mean the procured relations are managed, their contract performance is thoroughly monitored, appropriate adjustments and changes are made and finally, the contracts are closed.

## **1.8. Organization of the paper**

The paper consists of five chapters. The first chapter contains the introduction part of the study including: background of the study, statement of the problem, research questions, objective of the study, significance of the study and scope of the study. The second chapter deals with the review of related literatures. On Chapter three there is description of the type and design of research; sources of data; data collection tools/instruments; and the methods of data analysis used. Results and data analysis presented on chapter four. The last chapter, chapter five provides summary of findings, conclusion and recommendations.

## CHAPTER TWO

### 2. LITERATURE REVIEW

#### 2.1. Project Management

Project management is the application of knowledge, skills, tools, and techniques to project activities to meet the project requirements. Project management is accomplished through the appropriate application and integration of the project management processes identified for the project. Project management enables organizations to execute projects effectively and efficiently (Murray, 2017).

According to PMBOK, (2013) effective project management helps individuals, groups, and public and private organizations to:

- Meet business objectives;
- Satisfy stakeholder expectations;
- Be more predictable;
- Increase chances of success;
- Deliver the right products at the right time;
- Resolve problems and issues;
- Respond to risks in a timely manner;
- Optimize the use of organizational resources;
- Identify, recover, or terminate failing projects;
- Manage constraints (e.g., scope, quality, schedule, costs, resources);
- Balance the influence of constraints on the project (e.g., increased scope may increase cost or schedule); and
- Manage change in a better manner.

Poorly managed projects or the absence of project management may result in: missed deadlines, cost overruns, poor quality, rework, and uncontrolled expansion of the project, loss of reputation for the organization, unsatisfied stakeholders, and Failure in achieving the objectives for which the project was undertaken (Mochal, 2003).

According to Creasey (2016), Projects are a key way to create value and benefits in organizations. In today's business environment, organizational leaders need to be able to manage

with tighter budgets, shorter timelines, scarcity of resources, and rapidly changing technology. The business environment is dynamic with an accelerating rate of change. To remain competitive in the world economy, companies are embracing project management to consistently deliver business value.

Effective and efficient project management should be considered a strategic competency within organizations. It enables organizations to:

- The project results to business goals,
- Compete more effectively in their markets,
- Sustain the organization, and
- Respond to the impact of business environment changes on projects by appropriately adjusting project management plans.

According to Pinto (2016), while project management has been broadly examined and debated by professionals, researchers and scientists alike, one of the project management phases they have neglected to concentrate on is project procurement. Wiley (2012) highlights that while project procurement is a significant part of project management, a review of literature demonstrates an absence of focus on project procurement issues in the general project management industry, especially in the trading of goods and services in the project procurement stage. Procurement in and of itself has challenges that need to be addressed by procurement managers in search of solutions for achieving quality, effectiveness and efficiency that will affect project performance and ultimately assist companies in reaching their vision, goals and objectives (Alfian&Tresna, 2017; Dominick, Lunney, &Lunney, 2012; Endang&Risal, 2017; Wiley, 2012).

## **2.2. Procurement and Project Procurement Management**

### **2.2.1. Definition of Procurement**

Procurement is the process of finding and agreeing to terms, and acquiring goods, services, or works from an external source, often via a tendering or competitive bidding process. Procurement is used to ensure the buyer receives goods, services, or works at the best possible price when aspects such as quality, quantity, time, and location are compared. Corporations and public bodies often define processes intended to promote fair and open competition for their business while minimizing risks such as exposure to fraud and collusion.

Almost all purchasing decisions include factors such as delivery and handling, marginal benefit, and price fluctuations. Procurement generally involves making buying decisions under conditions of scarcity. If sound data is available, it is good practice to make use of economic analysis methods such as cost-benefit analysis or cost-utility analysis. An important distinction should be made between analyses without risk and those with risk. Where risk is involved, either in the costs or the benefits, the concept of best value should be employed (PMBOK, 2013).

Procurement activities are also often split into two distinct categories, direct and indirect spend. Direct spend refers to the production-related procurement that encompasses all items that are part of finished products, such as raw material, components and parts. Direct procurement, which is the focus in supply chain management, directly affects the production process of manufacturing firms. In contrast, indirect procurement concerns non-production-related acquisition: obtaining “operating resources” which a company purchases to enable its operations. Indirect procurement comprises a wide variety of goods and services, from standardized items like office supplies and machine lubricants to complex and costly products and services like heavy equipment, consulting services, and outsourcing services (Van Weele *et al.*, 1996).

### **2.2.2. Project procurement Management**

PM BOK (2013), states that, Project Procurement Management includes the processes necessary to purchase or acquire products, services, or results needed from outside the project team. Project Procurement Management includes the management and control processes required to develop and administer agreements such as contracts, purchase orders, memoranda of agreements (MOAs), or internal service level agreements (SLAs). The personnel authorized to procure the goods and/or services required for the project may be members of the project team, management, or part of the organization’s purchasing department if applicable.

Procurement management involves two important kinds of activities: managing contracts with suppliers and clients by developing and controlling any changes, and ensuring the project team fulfills its contractual obligations (Akhter, 2014).

Depaoli *et al.* (2013) further indicates procurement management as being one of the most critical areas in project management as it incorporates wide administrative elements of planning, organizing, leading, communicating, staffing and controlling. He also mentions the importance

of building and maintaining healthy relationships between purchasing departments and external suppliers in order to work productively in ordering, receiving, reviewing and approving of all procurement items essential for project execution. The project management book of knowledge not only agrees with the author above but also looks deep into the phases of procurement processes that identify the risks and challenges involved in procurement management.

### **2.3. Project Procurement Management Process**

Ralf (2008), states project procurement management process are procurement planning, selecting the contract approach, soliciting bids, evaluating bids, awarding the contract and managing the contracts. The project procurement cycle reflects the procurement activities from the decision to purchase the material or service through and closing of procurement contracts. As well PMBOK (2013), states Project procurement management contains four processes according to which are procurement planning, conducting procurement, control procurement and closing procurement on which this literature will use the process project procurement management.

Guth (2007) defined project procurement management as a coordinated effort with outside suppliers to acquire goods and services for projects. These relationships are made regularly on a contract basis with the goal that the required items or services are received on time and meet the principles required by the procurement company

#### **2.3.1. Plan Procurement**

Plan Procurement Management is the process of documenting project procurement decisions, specifying the approach, and identifying potential sellers. The key benefit of this process is that it determines whether to acquire goods and services from outside the project and, if so, what to acquire as well as how and when to acquire it. Goods and services may be procured from other parts of the performing organization or from external sources. This process is performed once or at predefined points in the project (PMBOK® GUIDE, 2008).

Kerzner (2009), states Procurement planning usually as a primary objective involves the selection of either to procure all goods/services from a single source, multiple sources, procure only a small portion of the goods/service or procure none of the goods/services. This process

benefits in that it determines whether to acquire outside support, and if so, what to acquire, how to acquire it, how much is needed, and when to acquire it (PMBOK, 2013).

The procurement planning process starts with a description of the needed product and/ or services, goes through a make/buy/lease decision process, and then develops a draft statement of work. Procurements usually involve contracts, and deciding which type of contract to use is part of procurement planning (Bradon, 2006). Furthermore, Kerzner (2009), states that procurement (and contracting) is a process that involves two parties with different objectives who interact on a given market segment.

Plan procurement management uses as an input Project management plan, requirements documentation, risk register, activity resource requirements. Project schedule, activity cost estimates, stakeholder register, enterprise environmental factors and organizational process assets (PMBOK, 2013). Through the tools & techniques make-or-buy analysis, expert judgment, market research and meetings outputs will be obtained such as procurement management plan, procurement statement of work, procurement documents, source selection criteria, make-or-buy decisions, change requests and Project documents updates.

In developing a procurement plan consideration of selecting the appropriate relationships and contract approaches for each type of purchased goods or outsourced service, preparing Request For Quotations and Request for Proposal and evaluating partnership opportunities , awarding and signing contracts, managing quality, timely performance, and contract changes and closing contracts are essential (Dobler, 1990).

It also includes reviewing the type of contract planned to be used with respect to avoiding or mitigating risks, sometimes transferring risks to the seller (PMBOK, 2013).

### **2.3.2. Conduct Procurement**

Per PMBOK (2013), the second stage of the procurement process that is conducting procurement focuses on obtaining seller responses, selecting a seller, and awarding a contract. The key benefit of this process is that it selects a qualified seller and implements the legal agreement for delivery. The end results of the process are the established agreements including formal contracts. This process is performed periodically throughout the project as needed.

The Inputs applied in conducting procurement are

- procurement management plan,

- procurement documents,
- source selection criteria,
- seller proposals,
- project documents,
- make-or-buy decisions,
- procurement statement of work and
- Organizational process assets.

Through tools & techniques of bidder conference, proposal evaluation techniques, Independent estimates, Expert judgment, advertising, analytical techniques and procurement negotiations Outputs will be obtained as select sellers, agreements, resource calendars, change requests, project management plan updates and project documents updates (PMBOK, 2013).

Once the procurement targets are identified and the class of the activity is chosen, the next step is to seek out sellers the goal is to obtain an acceptable response from the seller and from this obtain sufficient information to select a vendor. For which Procurement documents are used to solicit proposals from prospective sellers (PMBOK, 2000). And procurement documents are: Requests for information (RFI), Requests for proposals (RFPs), Requests for quotation (RFQ), Invitations for bid (IFB) and Invitation to negotiation (ITN) where these documents are referred to as a bid document a way of solicitation. Solicitation involves obtaining responses (bids and proposals) from prospective sellers on how project needs can be met (PMBOK, 2000).

Request for Information (RFI): is a type of procurement document whereby the buyer requests a potential seller to provide various pieces of information related to a product or service or seller capability.

Request for Proposal (RFP): is a type of procurement document used to request proposals from prospective sellers of products or services. In some application areas, it may have a narrower or more specific meaning.

A Request for Quotation (RFQ) is used to request a rate for professional services (Bardon, 2006) for those items that are standard, off the shelf, and relatively low in price, a RFQ is the most desirable document (Richardson, 2015). A request for quote focuses on price. The type of materials or service is well defined and can be obtained from several sources (Darnall & Preston, 2012).

Invitation to Negotiation (ITN), a document with a purpose to create a control structure for the technical, legal, and financial negotiation areas. It aids in comparative evaluation of multiple vendor responses (Richardson, 2015).

Invitation for Bid (IFB) is used when procurement items are standard, but high in price. All items are clearly specified by a SOW. The IFB notifies the potential vendors about the existence of the project by advertising which is called open competitive selection, anyone who is interested in and qualified may want to submit a bid. On the other hand, closed competitive selection is where private organizations have an acceptable bid list of potential vendors and are made aware of the project.

### **2.3.3. Control Procurement**

Control Procurements is the process of managing procurement relationships; monitoring contract performance, and making changes and corrections as appropriate; and closing out contracts. The key benefit of this process is that it ensures that both the seller's and buyer's performance meet the project's requirements according to the terms of the legal agreement. This process is performed throughout the project as needed (PMBOK® GUIDE, 2008).

Both the buyer and the seller administer the procurement contract for similar purposes. Each is required to ensure that both parties meet their contractual obligations and that their own legal rights are protected. The legal nature of the relationship makes it imperative that the project management team is aware of the implications of actions taken when controlling any procurement. On larger projects with multiple providers, a key aspect of contract administration is managing communication among the various providers. Because of the legal aspect, many organizations treat contract administration as an organizational function that is separate from the project. While a procurement administrator may be on the project team, this individual typically reports to a supervisor from a different department.

Control Procurements includes application of the appropriate project management processes to the contractual relationship(s) and integration of the outputs from these processes into the overall management of the project. This integration often occurs at multiple levels when there are multiple sellers and multiple products, services, or results involved (PMBOK, 2013).

All appropriate stakeholders on both sides must review and agree on the change requests to the requirements before they are applied and must be communicated to all stakeholders in a timely manner (Wysocki, 2014).

PMBOK (2013), Control Procurements includes application of the appropriate project management processes to the contractual relationship(s) and integration of the outputs from these processes into the overall management of the project. As well reviews and documents how well a seller is performing or has performed based on the contract and establishes corrective actions when needed.

#### **2.4. Trends and emerging practices in procurement management**

According to PMBOK (2013), there are a number of major trends in software tools, risk, processes, logistics, and technology with different industries that can affect the success rate of projects. Trends and emerging practices for Project Procurement Management include but are not limited to:

- 1. Advances in tools:** There has been a significant improvement in the development of tools to manage the procurement and implementation phases of a project. Online tools for procurement now give the buyers a single point where procurements can be advertised and provide sellers with a single source to find procurement documents and complete them directly online. In the construction/engineering/infrastructure field, the increasing use of the building information model (BIM) in software tools has been shown to save significant amounts of time and money on projects using it. This approach can substantially reduce construction claims, thereby reducing both costs and schedule. Major companies and governments worldwide are beginning to mandate the use of BIM on large projects (Engel, 2011).
- 2. More advanced risk management:** An increasing trend in risk management is to write contracts that accurately allocate specific risks to those entities most capable of managing them. No contractor is capable of managing all the possible major risks on a project. The buyer will be required to accept the risks that the contractors do not have control over, such as changing corporate policies in the buying organization, changing regulatory requirements,

and other risks from outside the project. Contracts may specify that risk management be performed as part of the contract (PMBOK, 2013).

- 3. Changing contracting processes:** There has been a significant growth in megaprojects in the past several years, particularly in the areas of infrastructure development and engineering projects. Multibillion-dollar projects are now common. A large proportion of these involve international contracts with multiple contractors from many countries and are inherently more risky than projects using only local contractors. Increasingly, the contractor works closely with the client in the procurement process to take advantage of discounts through quantity purchases or other special considerations. For these projects, the use of internationally recognized standard contract forms is increasing in order to reduce problems and claims during execution.
- 4. Logistics and supply chain management:** Because so many large engineering, construction infrastructure projects are done through multiple international contractors, the management of the flow of materials becomes critical to successful completion. For long-lead items, both the manufacture of the items and their transportation to the project site become schedule-drivers. In the IT field, a long-lead item may require ordering 2 to 3 months in advance. In complex construction projects, long-lead items may require ordering 1 to 2 years in advance or longer. For these projects, long-lead items may be procured in advance of other procurement contracts to meet the planned project completion date. It is possible to begin contracting for these long-lead materials, supplies, or equipment before the final design of the end product itself is completed based on the known requirements identified in the top-level design. The management of the supply chain is an area of increasing emphasis by the contractor's project team. Not only are primary sources of supplies identified early in the project, but secondary, back-up sources are also generally identified. Many countries around the world require international contractors to purchase certain minimum percentages of material and supplies from local vendors ((Engel, 2011).
- 5. Technology and stakeholder relations:** Publicly funded projects are under increasing scrutiny. A trend in infrastructure and commercial construction projects is the use of technology including web cameras (webcams) to improve stakeholder communications and relations. During construction, one or more webcams are installed on the site, with periodic updates to a publicly available website. The progress on the project can be viewed on the

Internet by all stakeholders. Video data can also be stored, allowing analysis if a claim arises. Some projects have discovered that the use of webcams minimizes disputes relating to the construction work on site, as the webcam has recorded the events, so there should be no disagreement about the facts of the matter (Paul C. 2012). However according to Engel (2011), too many companies select software they hope will make them more efficient, and they structure their workflows and processes around that chosen technology. Instead, they should first review the processes that need improvement, and only then select the technology that best satisfies those process needs. That may seem self-evident.

6. **Trial engagements:** Not every seller is well suited for an organization's environment. Therefore, some projects will engage several candidate sellers for initial deliverables and work products on a paid basis before making the full commitment to a larger portion of the project scope. This accelerates momentum by allowing the buyer to evaluate potential partners, while simultaneously making progress on project work. Similarly, supply chain leaders viewed the ability to integrate strategies in an effort to jointly execute a collective activity as an important capability (Grant, 1996). Adopting early supplier involvement, operational activities, such as product development projects, can offer more cost effective design choices, and improved product quality and reduction in lead time (Tan et al., 2002).
7. **TAILORING CONSIDERATIONS:** Because each project is unique, the project manager may need to tailor the way that Project Procurement Management processes are applied. Considerations for tailoring include but are not limited to:
  - **Complexity of procurement:** Is there a one main procurement or are there multiple procurements at different times with different sellers that add to the complexity of the procurements?
  - **Physical location:** Are the buyers and sellers in the same location, or reasonably close, or in different time zones, countries, or continents?
  - **Governance and regulatory environment:** Are local laws and regulations regarding procurement activities integrated with the organization's procurement policies? How does this affect contract auditing requirements?
  - **Availability of contractors:** Are there available contractors who are capable of performing the work?

## **8. CONSIDERATIONS FOR AGILE/ADAPTIVE ENVIRONMENTS**

In agile environments, specific sellers may be used to extend the team. This collaborative working relationship can lead to a shared risk procurement model where both the buyer and the seller share in the risk and rewards associated with a project (PMBOK, 2013).

Larger projects may use an adaptive approach for some deliverables and a more stable approach for other parts. In these cases, a governing agreement such as a master services agreement (MSA) may be used for the overall engagement, with the adaptive work being placed in an appendix or supplement. This allows changes to occur on the adaptive scope without impacting the overall contract (PMBOK, 2013).

Gershon, (2004) sought to identify opportunities to deliver efficiencies in the use of resources within the organizational and highlighted that significant savings in procurement were expected to be obtained through better supply side management seeking to communicate and manage likely demand in a strategic way with the supply sector and further professionalization of the procurement function within the organizations (Uyarra and Flanagan, 2010) Adoption of ICT in procurement support activity for the purchase of works, goods and services for all parts of the value chain (Engel. 2011). Procurement activities aim at anticipating requirement, sourcing and obtaining supplies, moving supplies into the organization, and monitoring the status of supplies as a current asset (Leenders & Fearon, 2000).

### **2.5. Empirical Literature Review**

A case study conducted by Ngugi and Mugo (2004) on internal factors affecting procurement process of supplies in the public sector; a survey of Kenya government ministries, adopted a descriptive research design to analyze the Procurement process in the Health-Care industry. The findings revealed that accountability, ICT adoption and ethics affected procurement process of health care supplies in the public sector to a great extent. The study recommended that adequate controls should be put in place reducing opportunities for corruption.

Kakwezi and Nyeko (2011) conducted a study on procurement processes and performance: efficiency and effectiveness of the procurement function, aiming at identifying financial and

non-financial measures that can contribute to improved performance of the procurement function. A survey instrument was developed and administered to a public entity in Uganda with a view to establish the importance of financial and non-financial measures in the performance of the procurement function. The paper concluded that other than financial measures, non-financial measures also contribute significantly in the procurement process and performance. And recommended that there should be continuous improvement in the efficiency of internal processes and systems and public entities should maintain structures that avoid unnecessary costs in order to ensure purchasing efficiency, effectiveness and value for money.

Meseret A. (2016), studied project procurement practice in Alemgena road maintenance project. And found that the project team did not take enough training about procurement, no risk mitigation plan; specification and source of supply were not also verified and there was also poor monitoring and controlling practices. Hence, the researcher recommended to document and properly practices the basic project procurement management approach.

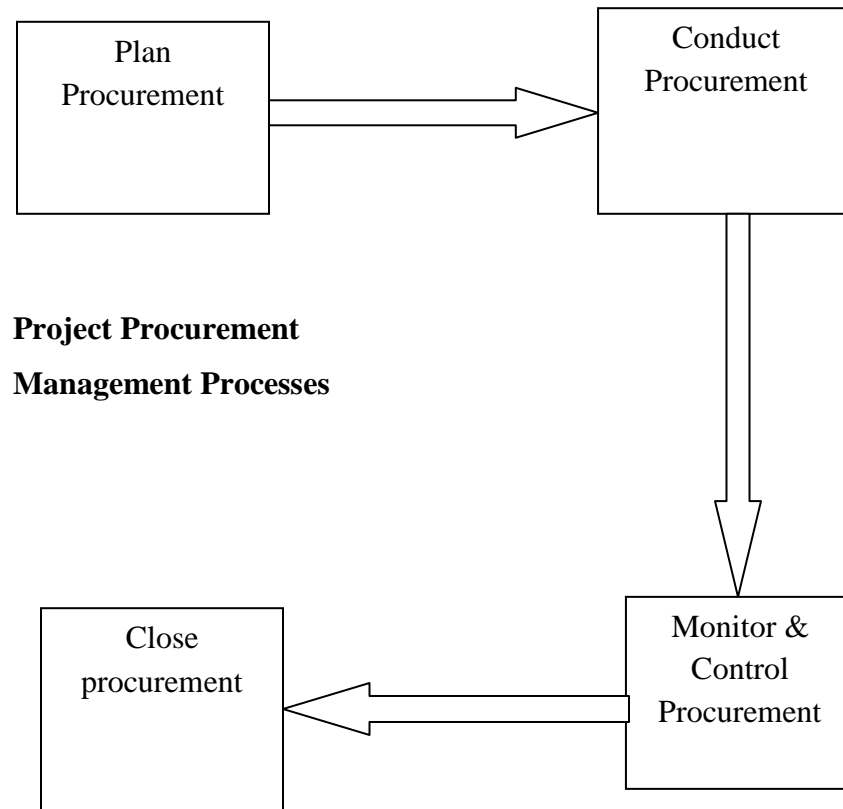
Betelhem S. (2015) assessed the existing purchasing policy and practices of Ethiopian airlines and its effect on performance. And the findings depict that ET has put in place procurement policy and procedure manual and the purchasing practice is done in line with policy. Besides, the policy manual has not been persistently updated to keep it abreast with contemporary market development. Also poor practices of evaluation and selection of suppliers are the major problems identified. Hence the researcher recommended that the draft of the amended procurement policy should be updated and subsequently approved and all project team need to be aware of the change.

Therefore, the main lesson out of the previous studies on project procurement management is that every project managers or entities should have a greater understanding of the procurement process in order to achieve the required level of efficiency to meet project objectives.

## 2.6. Conceptual framework

Based on the PMBOK project procurement management, the conceptual framework for this study has been developed as below:

**Figure 2.1 Conceptual Framework**



*Source: Researcher, 2019*

## **CHAPTER THREE**

### **3. RESEARCH METHODOLOGY**

This chapter explains about the methodology of the research. It includes the Research Design; Types and Source of Data; Target Population, Sampling Techniques and Sample Size, Instruments of Data Collection and method of data analysis.

#### **3.1. Research Design**

Descriptive research design was used to analyze the common practices of project procurement in ET projects. With the intention of assessing the general practices of project procurement management both quantitative and qualitative research designs were also used. This helps to obtain information concerning the current status of the phenomenon to describe what the current situation is with respect to the subject of the study.

#### **3.2. Data Sources**

The data collection instrument used was a Questionnaire which was designed using the variables identified as important for meeting the research objectives. A closed- ended questionnaire was administered to the respondents. The questionnaire was used since it was easy to administer and easy to analyze with data obtained (Mugenda & Mugenda, 2003). Both primary, that are close-ended questionnaire and structured interview, and secondary, Project status report, ET procurement policy were employed in order to answer the basic research questions.

#### **3.3. Sampling Techniques and Sample Size**

##### **3.3.1. Sampling Technique**

Non-probability, judgment/purposive sampling, was employed. This method helped the researcher to be exposed to different respondents who have different level of experience and knowledge with the issues of the study. Hence, samples were selected per researcher`s judgment who are involved or concerned with the project procurement practices.

##### **3.3.2. Sampling Size**

The target populations of the study are Ethiopian airlines procurement office staff and capacity development project team members. The total number of target population is 98, out of which 75 are currently working under procurement and supply chain management division and 23 of them

are involved on capacity development projects. According to Mugenda and Mugenda, (2003), sampling is part of the statistical practice concerned with the selection of individual or observations intended to yield some knowledge about a population of concern, especially for the purpose of statistical inferences. They advise that a researcher would have to use 30% of the target population as a sample size to be accepted as a good representative sample. Hence, 30 respondents selected purposively which include project managers, procurement office manager, senior procurement officers, and those employees who have direct involvement with practice of the project procurement from other functional units.

### 3.4. Method of Data Analysis

Sekaran, (2005) asserts that there are three objectives in data analysis; getting a feel for the data, testing the goodness of the data, and answering the research question. He notes that establishing the goodness of data lends credibility to all subsequent analysis and findings because it measures the reliability and the validity of the measures used in the study. Quantitative Data was analyzed using frequency and percentage. And data from structured interview analyzed in vis-à-vis to the conceptual frame work and common project procurement management methodologies.

### 3.5. Validity and Reliability

Reliability is a concern every time a single observer is the source of data, because we have no certain guard against the impact of that observer`s subjectivity (Babble, 2010). The questionnaire used for this study is adopted from a previous research paper conducted by MeseretAlemu, 2016, `Project Procurement Practice in Alemgena Road Maintenance Project. And its validity was measured. Reliability is checked by using the Cronbach-Alpha test on SPSS 20.00 with a score of 0.826. In this research also the reliability of the questionnaire has been tasted for four project procurement processes to proof the strength and significance of findings based on the collected data.

Table 3.1 Reliability Statistics of CronbachAlpha

<b>Reliability Statistics</b>	
<b>Cronbach's Alpha</b>	<b>N of Items</b>
<b>.713</b>	<b>28</b>

## Chapter Four

### 4. RESULT AND DISCUSSION

#### 4.1. Introduction

This chapter largely reflects presentation and result discussion of data gathered through close ended questionnaire, interview and personal observation of the researcher. The data collected was entered into a computer and analyzed using Statistical Package for Social Sciences (SPSS Version 20). The software packages enabled the researcher to analyze the data into percentages, and frequencies.

The respondents for the subject of the study are those who are directly involving on Procurement practices of Ethiopian airlines (project team and procurement office staff). The questionnaire developed using five likert scales, on which respondents are not forced to choose response options in extremes, allowing them to be neutral if they choose so. And it is easy to understand, respond and run the analysis. i.e., 1 represents strongly disagree, 2 Disagree, 3 Uncertain, 4 agree and 5 strongly agree. From 30 questionnaires that were distributed to Ethiopian airlines procurement officers and project management team members, 27(95% response rate) questionnaires were filled and collected. Descriptive statistics were used to analyze the 28 questionnaires collected. A structured interview with the procurement office director was conducted in order to prop up the common practices of procurement on ET projects. Furthermore, the researcher has also used his personal observation and referred the procurement policy of the company compared to day to day procurement practices.

#### 4.2.Characteristics of Respondents

**Table 4.1** Age distribution of respondents

Age		
	Frequency	Percent
Valid		
20-30	16	57.1
30-40	9	32.1
40-50	3	10.7
Total	28	100.0

*Source: Own survey, 2019*

As shown on the table above, the age of respondents cover from 20-30 age groups comprises 16 or 57.10% of the sample group, from 30-40 age group covers 9 or 32.10% of the sample population. The 40-50 age groups cover a 3 or 10.7%. Hence, large number of respondents lies under 20-30 years interval. This has an indication that, ET is hiring new graduates of young professional who specializes with procurement and logistics management.

**Table 4.2 Respondents education level**

		Level of education			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	4	14.3	14.3	14.3
	Degree	21	75.0	75.0	89.3
	post graduate	3	10.7	10.7	100.0
	Total	28	100.0	100.0	

*Source: Own survey, 2019*

The educational level of the respondents as indicated above, 75% of the respondents hold a first degree, 14.3% hold a diploma, 10.7% hold second degree. This suggests that all study respondents had adequate educational qualifications to enable them to answer the survey instrument.

**Table 4.3 Respondents Work Experience**

		Years of work experience			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below 2 years	2	7.1	7.1	7.1
	3-5 years	10	35.7	35.7	42.9
	6-10 years	12	42.9	42.9	85.7
	11-15 years	4	14.3	14.3	100.0
	Total	28	100.0	100.0	

*Source: Own survey, 2019*

On the years of service, the survey established that majority of the respondents (42.9%) have been working for 6 to 10 years, 35.7% have been working for 3 to 5 years while 14.3% of the respondents have been working for 11 to 15 years and 7.1% have been working less than 2 years. This points to the fact that most of the respondents were experienced since they have been working long enough to be conversant with the project procurement practices and procedures of the company.

**Table 4.4 Work responsibility**

Respondents present responsibility				
	Frequency	Percent	Valid Percent	Cumulative Percent
	Procurement Team leader	9	32.1	32.1
	Senior Procurement officer	11	39.3	71.4
Valid	Project Team Member	7	25.0	96.4
	Other	1	3.6	100.0
	Total	28	100.0	100.0

*Source: Own survey, 2019*

32.1% of the respondents are currently working as supervisors on the procurement divisions and department, and 39.30% senior procurement officers who are engaged on procurement contract and high level procurement duties. While 25% of the respondents have been working on different long term and short term project assignments, the remaining 3.6% are grouped under other work responsibility. This variety of work responsibility helps to get a dependable data from their experience.

### 4.3. General Awareness on Project Procurement Management

**Table 4.5 Procurement Management Training**

Regular training is provided to the concerned project team on procurement				
	Frequency	Percent	Valid Percent	Cumulative Percent
	Strongly Disagree	7	25.0	25.0
	Disagree	17	60.7	85.7
Valid	Neutral	1	3.6	89.3
	Agree	3	10.7	100.0
	Total	28	100.0	100.0

*Source: Own survey, 2019*

As shown on the above table, majority of the respondents, 60.7% disagree and 25% strongly disagree that there is no regular or periodic training provided for procurement staff to improve their knowledge on procurement management issue and process. And 10.70% of the respondents agree and 3.6% are neutral. In addition to the below result from the questionnaire, the researcher

has verified during interview that, although there is an employee`s performance management system (KPI) that promotes ongoing training and skill development, their department is week to plan and conduct recurrent training for procurement staff due to urgent and operational tasks assigned. And an interviewee, who has been working for 4 years on Mechanical and Engine purchase department, said that it is usually given impulsive coaching for new process and procurement systems rather than regular training. In general terms, the procurement staff and project team are not being trained enough regularly.

**Table 4.6 Procurement Policies and Procedures**

**There are well documented policies and procedures on procurement management in the project**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0	0	0
Disagree	4	14.3	14.3	14.3
Neutral	1	3.6	3.6	17.9
Agree	13	46.4	46.4	64.3
strongly agree	10	35.7	35.7	100.0
Total	28	100.0	100.0	

*Source: Own survey, 2019*

As depicted in table 4.6 above, majority of the respondents 46.4% agreed, followed by 35.7% strongly agreed, the other 14.3% respondents disagree and 1 respondent (3.6%) is neutral. that, there is a documented policies and procedures in place that is used for any procurement practices undertaken to accomplish project objectives and needs. From secondary data source the researcher has also confirmed that there is a well-organized, documented, accessible, easy to understand, company-wide procurement policy to provide broader guidelines which ET shall follow while procuring goods, construction works, consultancy services and other services for its use.

**Table 4.7 Procedure to make Request for goods to purchased**

**There is a well defined procedure that is set for project teams to make a request for goods and services required.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0	0	0
Disagree	0	0	0	0
Neutral	1	3.6	3.6	3.6
Agree	13	46.4	46.4	50.0
strongly agree	14	50.0	50.0	100.0
Total	28	100.0	100.0	

*Source: Own survey, 2019*

As the above table depicts 50% and 46.4% of the respondents strongly agree and agree respectively and 3.6% are uncertain on that a procedure is set for project teams to make a request for goods to be purchased. This provoke that there is a standard check list to be used by project team and or procurement team to request for goods and services required to accomplish a certain project or program objectives. In addition to this, the interviewee also said that there are different types of check lists to be used for different purchase order availed on the company portal page and company manuals. ET Procurement policy (2008), states that, Purchase all goods and services shall be against written Purchase or Repair Orders with clearly defined terms and conditions. Purchase of some services made through contract agreements, such as, freight transportation services, handling charges, etc. are made per terms and conditions in the contract without the need for the usual purchase order forms.

#### **4.4. Procurement Planning**

**Table 4.8 Plan for goods needed for a project**

**Procurement planning is done for goods needed within a project**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	4	14.2	14.2	14.2
Disagree	10	35.7	35.7	46.9
Neutral	1	3.5	3.5	50.4
Agree	10	35.7	35.7	86.1
strongly agree	3	10.8	10.8	100.0
Total	28	100.0	100.0	

*Source: Own survey, 2019*

As shown in table 4.8 above, 35.7% of the respondents agreed and 10.8% of respondents strongly agreed that procurement planning is done for good needed within a project. However, the majority of respondents, i.e., 35.7% disagreed and 14.2% strongly disagreed on procurement planning is done for needed project goods and services. Moreover, according to ET-MRO, Project status report, 2017, Unplanned and urgent purchase requisitions is one of the main challenges of the company that creates unnecessary work load and crowding on the project unit and the procurement staff, compromising the efficiency of the procurement process.

**Table 4.9 Activities to be considered in Planning**

<b>A. Requirement documentation</b>					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Strongly Disagree	2	7.1	7.1	7.1
	Disagree	4	14.3	14.3	21.4
	Neutral	2	7.1	7.1	28.6
	Agree	12	42.9	42.9	71.4
	strongly agree	8	28.6	28.6	100.0
	Total	28	100.0	100.0	
<b>B. Risk Involved with procurement</b>					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Strongly Disagree	5	17.9	17.9	17.9
	Disagree	8	28.6	28.6	46.4
	Neutral	1	3.6	3.6	50.0
	Agree	8	28.6	28.6	78.6
	strongly agree	6	21.4	21.4	100.0
	Total	28	100.0	100.0	
<b>C. Types and quantities of Resources required for each activity (Activity Resource requirement)</b>					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Strongly Disagree	1	3.6	3.6	3.6
	Neutral	1	3.6	3.6	7.1
	Agree	18	64.3	64.3	71.4
	strongly agree	8	28.6	28.6	100.0
	Total	28	100.0	100.0	

<b>Project Schedule</b>					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Disagree	6	21.4	21.4	21.4
	Neutral	1	3.6	3.6	25.0
	Agree	21	75.0	75.0	100.0
	Total	28	100.0	100.0	

<b>D. Cost Estimation</b>					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Strongly Disagree	21	75.0	75.0	75.0
	Disagree	5	17.9	17.9	92.9
	Neutral	1	3.6	3.6	96.4
	Agree	1	3.6	3.6	100.0
	Total	28	100.0	100.0	

<b>E. Expert Judgment is considered while planning of project procurement</b>					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Strongly Disagree	11	39.3	39.3	39.3
	Disagree	12	42.9	42.9	82.1
	Agree	5	17.9	17.9	100.0
	Total	28	100.0	100.0	

<b>F. Market research is done and take as an input for planning</b>					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Strongly Disagree	19	67.9	67.9	67.9
	Disagree	9	32.1	32.1	100.0
	Total	28	100.0	100.0	

*Source: Own survey, 2019*

Among the basic tools and techniques to be considered during procurement planning some are listed on table 4.9 and the respondents are depicted below. On item A, 42% of the respondents agreed and 28.6% of the respondents strongly agreed that, requirement documentation is considered during planning phase. While 14.3% of the respondents disagreed and 7.1% strongly disagreed, 7.1% is neutral. On item B, 27.9% of the respondents strongly disagree and 28.6% disagree on the point that ET considers risks during procurement planning. While 3.6% are neutral, 28.6% agree and 8.4% strongly agree that risk is considered during planning. On item C,

Activity resource requirement, 64% and 28.6% of the respondents agree and strongly agree respectively. While 3.6% of the respondents are neutral and 3.6% strongly disagree. On item D, project schedule, 75% of the sample agreed that project schedule is considered during procurement planning. 21.4% disagreed and 3.6% are neutral. On item E, Cost estimation, 75% of the respondents replied that they strongly disagree and 17.9% also disagreed. 3.6% are neutral and 3.6% agreed. On item F, expert judgment, 42.9% of the respondents disagree, 39.3% of them also strongly disagree that expert judgment is not considered during procurement planning stage. While 17.9 of them agreed on. On item G, market research, 67.9% of the samples strongly disagree and 32.1% disagree that this tool is not considered as an input for planning. To conclude on the analysis on table 4.9 above, the majority of the respondents disagreed on cost estimation; expert judgment and market research are considered during planning. And they agree on requirement documentation, project schedule, and activity resource requirement are considered.

**Table 4.10 Process for acquiring the good and services**

The process for acquiring the good and services needed is well defined

	Frequency	Percent	Valid Percent	Cumulative Percent
disagree	2	7.1	7.1	7.1
agree	20	71.4	71.4	78.6
strongly agree	6	21.4	21.4	100.0
Total	28	100.0	100.0	

Source: Own survey, 2019

71.4% and 21.4% of the respondents agree and strongly agree respectively that the process of acquiring goods and services needed is well defined. While 7.1% of them are disagreed. This implies that there is a well organized and company-wide process on which required goods and services will be requested by the project team and acquired. During the interview, the project procurement manager of aircraft component development manager said that, when goods, works, and services are procured by other divisions and departments through delegation, the PMM department shall oversee the proceedings, as necessary, to ensure the approved policies and procedures are respected.

**Table 4.11 Set time frames for delivery or execution**

**Defined time frame is set for delivery or execution of needed while planning**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	3	10.7	10.7	10.7
Neutral	2	7.1	7.1	17.9
Agree	23	82.1	82.1	100.0
Total	28	100.0	100.0	

*Source: Own survey, 2019*

As indicated on table 4.10 above, 82.1% of the samples replied as they agree while 10.7% of them disagree and 7.1% are neutral. On top of this, ET-MRO, Project status report, 2017, shows that a defined duration of delivery is in place by which all goods and services required for the project objective need to be delivered and executed on different project execution phases.

#### 4.5. Conducting Procurement

**Table 4.12 Standardized procurement document and evaluation techniques**

**Standardized procurement document is used to obtain bid/proposal from perspective sellers.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	1	3.6	3.6	3.6
Disagree	2	7.1	7.1	10.7
Neutral	4	14.3	14.3	25.0
Agree	20	71.4	71.4	96.4
strongly agree	1	3.6	3.6	100.0
Total	28	100.0	100.0	

*Source: Own survey, 2019*

Table 4.12 reveals that 71.4% and 3.6% of the sample respondents agreed and strongly agreed respectively that ET has a standardized procurement document to be used to obtain bid/proposal from seller. While 14.3% are neutral for this question, 7.1% and 3.6% disagreed and strongly disagreed respectively. Based on the secondary data reviewed, ET has a procurement policy stating the standard procurement document that guides how to bid/propose from sellers. Ethiopian shall follow one of the below methods for procurement of goods, works and all services depending on the type, values and vendors of the goods and services, and also the type

of contract sought. Open Bid, restricted Tender, request for Quotation (RFQ), direct Procurement, two-stage Bidding.

**Table 4.13 Proposal evaluation techniques**

There is a standardized proposal evaluation technique				
	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	1	3.6	3.6	3.6
Neutral	4	14.3	14.3	17.9
Valid Agree	12	42.9	42.9	60.7
strongly agree	11	39.3	39.3	100.0
Total	28	100.0	100.0	

*Source: Own survey, 2019*

The results on table 4.13 further revealed that, there is a proposal evaluation technique to be used by user/project operating units.42.9% and 39.3% of the sample respondents agreed and strongly agreed that ET has a standardized procurement proposal evaluation techniques.14% are neutral and 3.6% disagreed on presence and practice of this proposal evaluation techniques. Furthermore, with regard to proposal evaluation techniques, information from interview and the ET procurement policy could be stated as, detail evaluation criteria shall be established for both the technical and financial parts of the bid, including assignment of relative weights for each, prior to opening the bids. A bid is considered as responsive only if it confirms to all basic requirements set forth in the bid document. Numerical rating shall be assigned to the technical part of each responsive bid. Then, the financial part of only those bids that are found to be technically responsive shall be opened and evaluated, and a numerical rating shall be attached to each bid. Financial proposal of the non-responsive bids shall be returned to the respective bidders unopened.

**Table 4.14 Conducting Pre-meeting with suppliers**

A pre-meeting like bidder conference, field visit and the like are made with the suppliers to clarify their question if they have any.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	11	39.3	39.3	39.3
Disagree	14	50.0	50.0	89.3
Valid Neutral	2	7.1	7.1	96.4
Agree	1	3.6	3.6	100.0
Total	28	100.0	100.0	

Source: Own survey, 2019

Although the procurement policy indicates that a pre-meeting shall be held to clarify supplier's unclear criteria, the practice does not seem to abide the policy. As shown on table 4.14 above, 50% and 39.3% of the respondents disagree and strongly disagree respectively that it is rare to conduct a pre-meeting with suppliers for clarification. 7.1% of the respondents are neutral and 3.6% agreed that there is pre-meeting like bidder conference, field visit and the like held with sellers. ET has developed a strong long term contractual agreement with international suppliers of goods and services by which it can be relied in securing the 5R's, i.e., the right quality, right quantity, right sourcing, right price and right timing. However, it could not always be ensured in the real practice for it is not possible to recognize or ensure by almost all levels of decision makers and sometimes the suppliers provides the products on the specification with lesser quality.

**Table 4.15 Specifications of the goods and sources of purchase**

Specifications of the goods and sources of purchase is confirmed before selecting a supplier.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	3	10.7	10.7	10.7
Disagree	6	21.4	21.4	32.1
Valid Agree	19	67.9	67.9	100.0
Total	28	100.0	100.0	

Source: Own survey, 2019

In regard to specification of goods and sources of purchase, table 4.15 depicts that 67% of the samples agreed. However, 21.4% and 10.7% of the respondents disagree and strongly disagree

respectively. It is obvious that, technical, type, quality, quantity, brand etc... should be specified before selecting any seller.

**Table 4.16 Past experiences of sellers**

past experience of sellers				
	Frequency	Percent	Valid Percent	Cumulative Percent
	Strongly Disagree	4	14.3	14.3
	Disagree	16	57.1	71.4
Valid	Neutral	2	7.1	78.6
	Agree	6	21.4	100.0
	Total	28	100.0	100.0

*Source: Own survey, 2019*

57.1% and 14.3% of the respondents as well as, from the interview, past experience of sellers is given a lower consideration during seller selection process. This practice is neglected even though it was clearly stated on the company policy. However, as 21.4% of the sample size agreed and 7.1% of them are neutral, this result may be different from project to project and time to time as verified by the interview also.

**Table 4.17 Financial and Technical capability**

Financial and Technical capability				
	Frequency	Percent	Valid Percent	Cumulative Percent
	Disagree	1	3.6	3.6
Valid	Agree	24	85.7	89.3
	strongly agree	3	10.7	100.0
	Total	28	100.0	100.0

*Source: Own survey, 2019*

As shown in the above table 4.17, the sellers' financial and technical capability is considered during suppliers selection. 85.7% of the respondents agreed and 10.7% of them are strongly agreed while the rest of the sample size 3.6% disagreed. Secondary data source and interview also reveals that Candidates must qualify by meeting, at least, the following criteria in order to participate in bid procurement initiatives undertaken by Ethiopian.

- They possess the necessary professional and technical qualifications and competence, financial resources, equipment and other physical facilities, managerial capability and

experience in the object of procurement, reputation, and the personnel to perform the contract.

- They have legal capacity to enter into a contract.
- They are not insolvent, in receivership, bankrupt or being wound up, their business activities have not been suspended, and they are not the subject of legal proceedings for any of the foregoing;
- Domestic candidates, they have the relevant valid Trade License and have fulfilled their obligations to pay taxes according to Ethiopian tax law.

**Table 4.18 Seller selection criteria**

Seller selection criteria is standard				
	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	1	3.6	3.6	3.6
Disagree	4	14.3	14.3	17.9
Valid Agree	14	50.0	50.0	67.9
strongly agree	9	32.1	32.1	100.0
Total	28	100.0	100.0	

*Source: Own survey, 2019*

Table 4.18 shows that, 50% of the respondents agree and 32.1% of the respondents strongly agree, 23.14.3% are disagreed and 3.6% of them strongly disagree. In addition, the interviewees confirmed those suppliers are selected based on the standard qualification criteria set in the procurement policy. The Bid Committees shall evaluate the qualification of each participating bidder in accordance with the criteria set and establish whether a bidder is qualified or not. Only bids of qualifying candidates are evaluated further. The technical and financial numerical ratings of each responsive bid are combined, and the bidders are listed in the order of their combined rating.

## 4.6. Procurement Monitoring, Controlling and Closing

**Table 4.19 Monitoring and Controlling**

**Monitoring and controlling is made for procured goods, to ensure that they are delivered/executed as planned**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	7	25.0	25.0	25.0
Disagree	10	35.7	35.7	60.7
Neutral	2	7.1	7.1	67.9
Agree	6	21.4	21.4	89.3
strongly agree	3	10.7	10.7	100.0
Total	28	100.0	100.0	

*Source: Own survey, 2019*

The data on table 4.19 above shows that 35.7% and 25% out of the total respondents of the study disagree and strongly disagree respectively that monitoring and controlling made for procured goods to ensure that they are delivered/executed as planned. On the other hand, 21.4% and 10.7% of the respondents for same question agree and strongly agree, while 7.1% are neutral. Based on the secondary data (project progress report) and interview data, most of the time, once the procurement takes place, few attentions is given to monitor and control whether procured goods and services are delivered in time, quality, place, cost and other measurable criteria. Moreover, project progress reports that taking long time to procure BID entertained equipment and delay on tools and equipment procurement, and facility preparation are directly related with lack of ongoing monitoring of the process.

**Table 4.20 Regular review on procurement progress**

**Regular review is made on progress of procurement**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	14	50.0	50.0	50.0
Disagree	13	46.4	46.4	96.4
Neutral	1	3.6	3.6	100.0
Total	28	100.0	100.0	

*Source: Own survey, 2019*

The above table 4.20 also reveals that, there is a major gap on procurement monitoring and controlling process for the good and services procured under the PPM department and project operating unit. Out of the 28 sample respondents 50% and 46% strongly disagree and disagree respectively that ET has no regular review to monitor the progress of procurement processes. However, as per the procurement policy, Internal Audit & IMSC Division has the full authority to monitor or audit any procurement proceeding at any stage of the process. And External audit services shall be procured only after the Chief Executive Officer (CEO) nominates the supplier, and the Management Board approves the nomination. This implies the responsibility of reviewing the overall performance of procurement has been left for a third party which cannot be technically and operational capable enough to monitor the progress at any point in the procurement steps.

**Table 4.21 Risks while Monitoring and Controlling**

**The risks faced while procuring are taken in to consideration while monitoring and controlling**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	10	35.7	35.7	35.7
Disagree	11	39.3	39.3	75.0
Valid Neutral	5	17.9	17.9	92.9
Agree	2	7.1	7.1	100.0
Total	28	100.0	100.0	

*Source: Own survey, 2019*

On the above table 4.21, 35.7% and 39.3% of the respondents strongly disagreed and disagreed respectively that risks faced in monitoring and controlling are considered whereas 17.9% are neutral. 7.1% agree that risks faced during procuring were considered in monitoring and controlling. From the response of majority of respondents, risk during monitoring and controlling is not considered.

**Table 4.22 Procurement audit**

**Procurement audit (i.e., lessons learned, documented successes and failures) of the project is documented**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	7.1	7.1	7.1
disagree	20	71.4	71.4	78.6
Valid Neutral	1	3.6	3.6	82.1
agree	5	17.9	17.9	100.0
Total	28	100.0	100.0	

*Source: Own survey, 2019*

As indicated on the above table 4.22, the majority of the respondents i.e. 71.4% and 7.1% are in a disagreement and strong disagreement that project documents like lessons learned, project success and failure are not well documented. 3.6% of the respondents are neutral of this question and 17.9% of them are on agreement. Per the data from interview also it can be concluded that there is no strong culture of documenting lesson learned documents for future use.

**Table 4.23 Procurement closing process**

**The project has a clear defined process for closing the procurement**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	7.1	7.1	7.1
Disagree	7	25.0	25.0	32.1
Valid Neutral	5	17.9	17.9	82.1
Agree	14	50.0	50.0	100.0
Total	28	100.0	100.0	

*Source: Own survey, 2019*

Per the above table 4.23, 50% of the respondents are in agreement that the project has a clear and defined process for closing the procurement. 17.9% of them are neutral and 25% and 7.1% of the respondents are in disagreement and strong disagreement respectively. As shown on the previous analysis the procurement practices of Ethiopian airlines, there is a gap on monitoring and closing of the processes and progress of procurement.

## CHAPTER FIVE

### 5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1. Summary of Findings

This study has analyzed the procurement practices of the Ethiopian airlines and the study revealed that:

- The procurement staff and project team are not being trained enough regularly.
- The Primary data and ET-MRO, Project status report, 2017, Unplanned and urgent purchase requisitions is one of the main challenges of the company that creates unnecessary work load and crowding on the project unit and the procurement staff, compromising the efficiency of the procurement process.
- Cost estimation; expert judgment and market research are not considered during planning, and requirement documentation, project schedule, and activity resource requirement are considered..
- Depending on the type, values and vendors of the goods and services, and also the type of contract sought. Open Bid, restricted Tender, request for Quotation (RFQ), direct Procurement, two-stage Bidding are used.
- There is evaluation criteria established for both technical and financial parts of bid, including assignment of relative weights for each prior bids.
- Although the procurement policy indicates that a pre-meeting shall be held to clarify supplier's unclear criteria, the practice does not seem to abide the policy.
- Financial and Technical capability: -is considered during supplier's selection.
- Risk during monitoring and controlling is not considered and there is no strong culture of documenting lesson learned documents for future use.

## 5.2. Conclusion

In Ethiopian airlines, as elsewhere in other company or project running entity, there is a well-defined, organized procurement policy in place that is used to procure any goods and services required by the project operating unit and by procurement or material management division. And this has been also affirmed by the majority of respondents that the procurement policy defines the basic procurement process including checklist to plan, request and delivery of procure goods, proposal evaluation techniques for purchase. Apparently, the finding of this research reveals that minimal consideration given on some of the common project procurement conducting, monitoring, controlling and closing stages.

The findings from the respondents and secondary data evidenced that the practice of considering requirement documentation, activity resource requirement, project schedule is in close proximity on the company projects. The process of acquiring goods and services needed for a project is well defined and time frame set for their delivery and execution

However, Risk Involved with procurement, Cost Estimation, considering Expert Judgment while planning, and Market research and development has been found as a major gap of procurement practices.

According to the respondents of the questionnaire and interview as well as stated on the procurement policy there is a structured use and consideration of proposal evaluation techniques, Specifications of the goods and sources of purchase, financial and Technical capability and seller selection criteria. On the other hand, the loop with regard to procurement conducting is depicted from the respondents that it is merely practiced to select sellers based on their past experience and no consistent pre-meeting with suppliers.

Relative to the first two procurement stages, procurement monitoring and closing is being less practiced. Based on the majority of the respondents, most of the time, once the procurement takes place, few attentions is given to monitor and control whether procured goods and services are delivered in time in regular pattern. The risks faced while procuring rarely taken in to consideration while monitoring and controlling.

### 5.3. Recommendations

Based on the study findings it is recommended that ET Project procurement office and project managers consider the following points to maintain the existing good practices and to improve on the major gaps identified by this study.

- An intensive regular training should be taken place to project managers and procurement office staffs on the principles of project management in general and particularly in procurement management processes. This will boost to rehearse the knowledge areas in every project for long period of time.
- Create awareness for all project managers about the company procurement policy so as to standardize every procurement practices within the company.
- ET should give due attention on expert judgment, cost estimation, market research and development and procurement related risks during procurement planning and Contracts should specify that risk management be performed as part of the contract.. This will help to design a visual and acceptable procurement plan at the initial stage of any project. As a result, Redundant activities will reduce, minimize delay on tools & equipment procurement and facility preparation, shorten bid process and fasten delivery and execution of procured goods within the given project time frame.
- During vendor selection past experience of sellers should be taken in to consideration in order to evaluate their level of compliance to agreements and execution. This can be done by gathering information from prime manufacturers, business directories other Catalogs and Publications, such as Advisory Circulars, industry Associations, regulatory Bodies, internet, open advertisements etc...
- There should be also a consistent culture of pre-meeting with candidate suppliers like bidder conference, field visit and teleconferencing in order to clarify any ambiguity on specification of goods and terms and regulations. This will enhance the bid process and delivery of goods and services based on the specified quality, quantity, time, place and price.

- Monitoring and controlling should be made for procured goods, to ensure that they are delivered or executed as planned. This must be undertaken throughout the procurement processes. One way to ensure this is to develop a checklist of procedures that should be followed in all situations. By having everyone on the team work together to develop the checklist there is a sense of ownership in helping to bring this to the business. That will also serve to get everyone on board with the new check list in that process may discover new control are needed.
- It is not enough to merely look at the results or reports there should be an adjustment to make changes that is vitally important to the ongoing improvement.

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## **Appendix**

### **QUESTIONNAIRE**

Addis Ababa University  
College of Business and Economics  
School of Commerce  
Master of Arts in Project Management

Dear Participants:

My name is Yassin Ali; I am a MA student in Project Management at Addis Ababa University School of Commerce. As part of my MA project work, I am studying the project procurement management practices in Ethiopian airlines Projects.

I kindly request you to participate on this research study by completing the attached questionnaire. In order to ensure that all information will remain confidential please do not include your name. As well I sincerely request you to respond to the questions as honestly as possible and return the completed questionnaires.

Knowing that your time is valuable please, please take few minutes of your time to complete the questionnaire. Thank you very much for your time and assistance in my educational endeavors.

#### Questionnaire

General Instruction and information:

- The questionnaire has close-ended questions, please indicate the extent to which you agree or disagree with the following statements by placing a circle on the number which most accurately reflects your opinion.
- Please answer all the questions. There is no right or wrong answer. Assuring you that all responses will be used only as an input for this study.

General Information

1. Age:

\* 20-30years\_\_\_\_\_ \* 30-40years\_\_\_\_\_

\* 40-50years\_\_\_\_\_ \* Above 50years\_\_\_\_\_

2. Education Level:

\* Diploma\_\_\_\_\_ \* Degree\_\_\_\_\_

\* Postgraduate\_\_\_\_\_ \* others, please specify, \_\_\_\_\_

3. Years of work experience:

\* Below 2 years\_\_\_\_\_ \* 3-5 Years\_\_\_\_\_

\* 6-10Years\_\_\_\_\_ \* 11-15 Years\_\_\_\_\_

\*Above 15 Years\_\_\_\_\_

4. Your Current responsibility:

- Procurement Team leader \_\_\_\_\_
- Senior Procurement officer\_\_\_\_\_
- Project Team Member\_\_\_\_\_
- Other Please specify\_\_\_\_\_

5. For how many years have you worked on issues related with procurement?

\* Below 1 year\_\_\_\_\_ \* 1-3 Years\_\_\_\_\_

\*3-5Years\_\_\_\_\_ \* Above 5 Years\_\_\_\_\_

## AWARENESS ON PROJECT PROCUREMENT MANAGEMENT

S/No.	Question	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
1	Project teams are aware of the importance of project procurement management in the project.	1	2	3	4	5
2	Regular training is provided to the concerned project team on procurement management.	1	2	3	4	5
3	There are documented policies and procedures on procurement management in the project.	1	2	3	4	5
4	There is a standardized (formal) project procurement management process in place.	1	2	3	4	5
5	There is a procedure that is set for project teams to make a request for goods and services required.	1	2	3	4	5

## PROCUREMENT PLANNING

S/No.	Question	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
6	Procurement planning is done for goods needed within the project.	1	2	3	4	5
7	The following points are considered while planning: <ul style="list-style-type: none"> <li>○ Requirement documentation</li> <li>○ Risk involved with procurement</li> <li>○ Types and quantities of resources required for each activity (<i>Activity Resource requirement</i>)</li> <li>○ Project schedule</li> <li>○ Cost estimation</li> </ul>	1	2	3	4	5
8	Expert judgment is considered while planning for project procurement.	1	2	3	4	5
9	Market research is done and taken as an	1	2	3	4	5

	input for procurement planning.					
10	The process for acquiring the goods or services needed is well defined.	1	2	3	4	5
11	Defined time frame is set for delivery or execution of needed goods while planning.	1	2	3	4	5

PROCUREMENT CONDUCTING

S/No.	Question	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
12	Standardized procurement document is used to obtain bid/proposal from perspective sellers.	1	2	3	4	5
13	There is a standardized proposal evaluation technique.	1	2	3	4	5
14	A pre-meeting like bidder conference, field visit and the like are made with the suppliers to clarify their question if they have any.	1	2	3	4	5
15	Specifications of the goods and sources of purchase is confirmed before selecting a supplier.	1	2	3	4	5
16	The following are considered in selecting sellers: <ul style="list-style-type: none"> <li>• past experience of sellers</li> <li>• Financial and Technical capability</li> <li>• Cost</li> </ul>	1	2	3	4	5
		1	2	3	4	5
		1	2	3	4	5
17	Seller selection criteria is standard	1	2	3	4	5

## CONTROLLING AND CLOSING OF PROCURMENT

S/No.	Question	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
18	Monitoring and controlling is made for procured goods, to ensure that they are delivered/executed as planned.	1	2	3	4	5
19	Regular review is made on progress of procurement	1	2	3	4	5
20	The risks faced while procuring are taken in to consideration while monitoring and controlling.	1	2	3	4	5
21	Procurement audit (i.e, lessons learned, documented successes and failures) of the project is documented.	1	2	3	4	5
22	The project has a clear defined process for closing the procurement	1	2	3	4	5

## INTERVIEW GUIDE

1. Can you please tell me about your procurement management system in the project?
2. Do you have a standardized/formal documented procurement management /process?
3. How do you capacitate your project teams that are involved in procurement?
4. Is procurement planning made at your project?
5. How is procurement conducted?
6. What kind of mechanism do you use to monitor and control procurements done?
7. When/ how is procurement said to be closed?
8. Which of the following procurement documents are used in selecting seller RFI, RFP, RFQ or IFB?